

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *NWD said it is being approached by buyers for various assets including K11 Art Mall, no binding agreement signed so far. NWDEVLs rebounded 2-9pts last Friday and were largely unchanged this morning.*
- ***HYUELE:** 4Q24 revenue up 75% yoy. Maintain buy on HYUELEs and prefer HYUELE 1 ½ 01/19/26 and HYUELE 2 ¾ 01/19/31. HYUELEs were unchanged to +0.3pt this morning. See below.*
- ***ROADKG:** Road King announced exercise of redemption rights by its JV partner Build King, which is owned by the Chairman of Road King, in respect of HKD400mn sale loans due on 28 Feb'25. ROADKG 28-30s down 0.7-2.9pts last Friday and were unchanged this morning.*

❖ Trading desk comments 交易台市场观点

The HK/China property space recovered on last Friday. NWDEVL'27-31 rebounded 5-9pts and NWDEVL Perps rose 2-7pts while NWDEVLs aggregately dropped 7.5-13pts in last week. Other HK developers HYSANs/NANFUNs were unchanged to 0.4pts higher. VNKREs rallied 5-6pts higher. LNGFORs rose 1-1.5pts. ROADKG further down 0.7 to 2.9pts. HK bank T2s also stabilized on Friday, CHIYBK'32 tightened 15bps and BNKEA/NANYAN/DAHSIN T2s were 2-4bps tighter. China SOE and TMT space were active, HAOHUAs tightened 1-3bps. MEITUA/TENCNT'28-30 tightened 2bps. Among Chinese AMCs, CCAMCL/ORIEAS were unchanged to 3bps tighter while CFAMCI/GRWALL were unchanged. EU AT1 were stable, active names INTNED/DB/HSBC were unchanged to 0.2pt higher. In KR space, new KDB'28/30 were weak and traded below par. EIBKOR'28-35 were 1-2bps tighter. In SEA and India, Adani complex edged 0.1-0.4pt higher. INDYIJs/MEDCIJs moved -0.1 to +0.2pt.

In LGFV, the flows slowed down before Chinese long holidays. The recent issues such as HNRail'28/ZOUCAO'27 were stable. CPDEVs/ZHHFGRs rose 0.1-0.2pt. We continued to see two way flows on KMRLGP'25/SHUGRP'27 and CNH LGFVs such as JZMUNU'27/JJCIHG'27.

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❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| NWDEVL 4 3/4 01/23/27 | 55.9 | 9.1 | ROADKG 5 1/8 01/26/30 | 35.7 | -2.9 |
| NWDEVL 8 5/8 02/08/28 | 53.0 | 8.2 | ROADKG 6 03/04/29 | 38.3 | -2.6 |
| NWDEVL 6.15 Perp | 39.6 | 7.5 | ROADKG 5.2 07/12/29 | 37.1 | -2.3 |
| NWDEVL 4 1/2 05/19/30 | 45.7 | 6.4 | ROADKG 5.9 09/05/28 | 42.2 | -0.7 |
| VNKRLE 3.15 05/12/25 | 80.6 | 5.1 | ROADKG 6.7 03/30/28 | 47.6 | -0.7 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.29%), Dow (-0.32%) and Nasdaq (-0.50%) were weak on last Friday. US Jan'25 Markit Service PMI was 52.8, lower than the expectation of 56.4. China Jan'25 official manufacturing/service PMI was 49.1/50.2, down from 50.1/52.2 in Dec'24, respectively. UST yield retreated on last Friday, 2/5/10/30 yield at 4.27%/4.43%/4.63%/4.85%.

❖ Desk Analyst Comments 分析员市场观点

➤ **HYUELE: 4Q24 revenue up 75% yoy. Maintain buy on HYUELEs**

SK Hynix had another quarter of record-high revenue and operating profit in 4Q24. This was attributable to the increased sales of high value-added products such as HBM and eSSD. The ASP of DRAM rose 10% qoq in 4Q24 with single digit growth in bit shipments qoq. The increase in revenue in DRAM was partly offset by lower bit shipment and ASP of NAND during the quarter. The 4Q24 operating profit margin and EBITDA margin were largely the same as 3Q24, while the net profit margin increased by 8 pct pt to 41%. See Table 2.

SK Hynix supplied the industry's first HBM3E 8Hi in Mar'24 and HBM3E 12Hi in 4Q24, the HBM sales in FY24 increased by more than 4.5x. While for NAND, it added 61TB/122TB QLC based products in FY24, and the eSSD sales increased 300% yoy. SK Hynix guides the FY25 DRAM bit shipment to increase mid-to-high teens yoy; while NAND bit shipment to increase low-teen yoy in FY25. We expect the growth momentum of SK Hynix's revenue and operating profit to continue in 2025. The strong demand for AI services memory will continue to support higher ASP and higher bit shipments of HBM and eSSD.

As at Dec'24, the cash balances further increased by 30% qoq, supported by strong operating cash flow generation during 4Q24. The net debts reduced by 22% qoq to KRW8.5tn at Dec'24 from Sep'24. The next USD bond maturities of HYUELE Float 11/17/25 of USD300mn will be due in Nov'25, and two USD bonds totaled USD1.75bn in Jan'26. We expect SK Hynix to be able to refinance the bonds at reasonable costs in view of its strong cash flow generation and good access to different funding channels. Meanwhile, we expect the management to remain disciplined in expansion and the capex will continue to be funded with its cash on hand and operating cash flow.

We maintain buy on HYUELEs in view of SK Hynix's strong market position globally, improving cash flow and credit profile. Within the HYUELE complex, we prefer HYUELE 1 ½ 01/19/26 and HYUELE 2 ¾ 01/19/31 most for lower cash prices. At 96.7 and 84.5, HYUELE 1 ½ 01/19/26 and HYUELE 2 ¾ 01/19/31 was traded at YTM of 5.0% (z-spread of 79bps) and 5.4% (z-spread of 133bps), respectively. HYUELEs also provide 5-17bps yield pick-up over Micron's bonds.

Table 1: Bond profiles of HYUELEs

| Security Name | O/s amt (USDmn) | Mod Dur | Px | YTM (%) | Z-Spread (bps) | Rating (M/S/F) |
|-----------------------|--------------------|------------|-------|------------|-------------------|----------------|
| HYUELE Float 11/17/25 | 300 | 0.1 | 100.7 | 5.1 | 79 | Baa2/-/BBB |
| HYUELE 6 ¼ 01/17/26 | 750 | 0.9 | 101.2 | 5.0 | 79 | Baa2/BBB-/BBB |
| HYUELE 1 ½ 01/19/26 | 1000 | 0.9 | 96.7 | 5.0 | 79 | Baa2/BBB-/BBB |
| HYUELE 5 ½ 01/16/27 | 500 | 1.8 | 100.9 | 5.0 | 90 | Baa2/BBB-/BBB |
| HYUELE 6 ¾ 01/17/28 | 1000 | 2.7 | 103.4 | 5.1 | 104 | Baa2/BBB-/BBB |
| HYUELE 5 ½ 01/16/29 | 1000 | 3.5 | 100.7 | 5.3 | 121 | Baa2/BBB-/BBB |
| HYUELE 2 ¾ 01/19/31 | 1000 | 5.4 | 84.5 | 5.4 | 133 | Baa2/BBB-/BBB |
| HYUELE 6 ½ 01/17/33 | 750 | 6.2 | 105.7 | 5.6 | 148 | Baa2/BBB-/BBB |

Source: Bloomberg.

Table 2: SK Hynix 4Q24 financial highlights

| KRWbn | 4Q24 | 3Q24 | qoq change | 4Q23 | yoy change |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 19,767 | 17,573 | 12% | 11,306 | 75% |
| -DRAM | 14,628 | 12,126 | 21% | 7,350 | 99% |
| -NAND | 4,744 | 4,920 | -4% | 3,299 | 44% |
| -Others | 395 | 527 | -25% | 657 | -40% |
| Gross profit | 10,366 | 9,171 | 13% | 2,226 | 366% |
| Operating profit | 8,083 | 7,030 | 15% | 346 | 2236% |
| EBITDA | 11,249 | 10,100 | 11% | 3,582 | 214% |
| Net profit | 8,006 | 5,753 | 39% | (1,379) | - |
| Operating cash flow | 11,081 | 7,804 | 42% | 3,969 | 179% |
| Capex | 7,248 | 3,516 | 106% | 1,728 | 319% |
| Gross profit margin | 52% | 52% | - | 20% | +32 pct pt |
| Operating profit margin | 41% | 40% | +1 pct pt | 3% | +38 pct pt |
| EBITDA margin | 57% | 57% | - | 32% | +25 pct pt |
| Net profit margin | 41% | 33% | +8 pct pt | -12% | - |
| | Dec'24 | Sep'24 | Change | Dec'23 | Change |
| Cash and equivalent | 14,156 | 10,858 | 30% | 8,921 | 59% |
| Total debt | 22,684 | 21,845 | 4% | 29,469 | -23% |
| Net debt | 8,528 | 10,987 | -22% | 20,548 | -58% |
| Net debt/equity | 12% | 17% | -5 pct pt | 38% | -26 pct pt |
| Net debt/LTM EBITDA | 0.2x | 0.4x | - | 3.5x | - |

Note: Total debt included borrowings and bonds

Source: Company filling, CMBI Research

➤ **Offshore Asia New Issues (Priced)**

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|------------------------------------------|---------------|-------|--------|--------|----------------------|
| No Offshore Asia New Issues Priced Today | | | | | |

➤ **Offshore Asia New Issues (Pipeline)**

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|--------------------------------------------|----------|---------------|-------|---------|----------------------|
| No Offshore Asia New Issues Pipeline Today | | | | | |

➤ **News and market color**

- Regarding onshore primary issuances, there were 39 credit bonds issued last Friday with an amount of RMB15bn. As for month-to-date, 1,869 credit bonds were issued with a total amount of RMB1,454bn raised, representing a 25.6% yoy increase
- **[ADGREG]** Adani Green Energy is in advanced discussion with domestic lenders to refinance USD1.1bn construction finance facility due in Mar'25
- **[HAISEC]** Haitong Securities announced that 5 Feb'25 will be the last trading day for its A shares, it will enter the phase of cash option exercise declaration, clearing and settlement from 6 Feb'25 and its shares will be no longer traded
- **[JSTLIN]** JSW Steel 3QFY25 revenue down 1.3% yoy
- **[MDLNIJ]** Modernland scheme to restructure due-2025 and due-2027 bonds lodged with the ACRA of Singapore, scheme effective on 24 Jan'25
- **[NWDEVL]** NWD said it is being approached by buyers for various assets including K11 Art Mall, no binding agreement signed so far. Media reported New World China Land seeks 3-month extension of HKD3.8bn loan due in Mar'25
- **[ROADKG]** Road King announced exercise of redemption rights by its JV partner Build King, which is owned by the Chairman of Road King, in respect of HKD400mn sale loans due on 28 Feb'25
- **[SHFLIN]** Shriram Finance 9M25 interest income rises 20.4% yoy
- **[TPHL]** Times China winding-up petition hearing postponed to 19 May'25;
- **[TOPTB]** Thai Oil enforced THB12.3bn (cUSD366mn) security as owner of clean fuel project

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